



Thrift Savings Plan BULLETIN

for Agency TSP Representatives

Subject: Implementation of the Small Capitalization Stock Index Investment (S) Fund and the International Stock Index Investment (I) Fund

Date: October 12, 2000

Beginning May 1, 2001, participants will be able to invest in the Small Capitalization Stock Index Investment (S) Fund and the International Stock Index Investment (I) Fund. The current Thrift Savings Plan (TSP) record keeping system will be modified to accommodate the two additional investment funds, as discussed in the attached press release and "Questions and Answers Regarding the Implementation of the S and I Funds in the Current TSP Record Keeping System." The new record keeping system, which was described in TSP Bulletin 00-6, Processing Agency Submissions in the New Record Keeping System, dated March 30, 2000, will be implemented as soon as possible thereafter. (The press release, questions and answers, TSP Bulletin 00-6, and all other TSP bulletins are available through the TSP Web site at www.tsp.gov.)

The modifications to the current record keeping system to accommodate the two new funds will also allow participants to make contribution allocations at any time. Currently, to change the way future contributions to TSP accounts are invested, participants must make contribution allocations by filing Form TSP-1 (Election Form) with their agencies during an open season. After April 30, 2001, participants must make contribution allocation requests directly to the TSP by using the TSP Web site, the TSP ThriftLine, or Form TSP-50 (Investment Allocation).

Implementation of other changes to the TSP. The other enhancements to the TSP (e.g., daily valuation, daily disbursements, and mixed withdrawals) will not be available until the new record keeping system is implemented. In addition, until the new record keeping system is implemented, the dates of the TSP open seasons will not change. (After the close of the upcoming open season on January 31, 2001, the next TSP open season will be May 15 through July 31, 2001.) See the attached questions and answers for more detail on the enhancements that will occur upon implementation of the new record keeping system.

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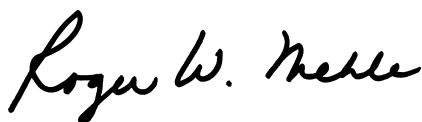
Inquiries: Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

Chapter: This bulletin may be filed in Chapter 2, General Information.

Submitting data to the TSP. Beginning May 1, 2001, agencies should use the record layouts that were developed for the new record keeping system (and that are attached to TSP Bulletin 00-6 and available from the Web site) to submit employee and contributions data to the TSP. The system inputs for the modified current system will be the same as the system inputs for the new record keeping system (i.e., agencies will report amounts of contributions by source, but not by fund).

However, until the new record keeping system is implemented, agencies must continue to submit Lost Earnings Records (51-Records) if participants are entitled to lost earnings. This is because the modified current system will continue to be dollar-based and monthly valued. Breakage, as described in TSP Bulletin 00-6, cannot be determined until the record keeping system is converted to a share-based, daily valued system.

A future bulletin will provide more detail on the submission of Lost Earnings Records in the modified current system and on the processing of agency submissions after the current system is modified (and until the new system is implemented).

A handwritten signature in black ink, reading "Roger W. Mehle". The signature is written in a cursive, flowing style.

ROGER W. MEHLE
Executive Director

Attachments: Press Release
"Questions and Answers Regarding the Implementation of the S and I
Funds in the Current TSP Record Keeping System"



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
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FOR IMMEDIATE RELEASE

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THRIFT INVESTMENT BOARD ANNOUNCES NEW FUNDS TO BE AVAILABLE IN MAY 2001; UNIFORMED SERVICES TSP PARTICIPATION EXPECTED TO COMMENCE IN OCTOBER 2001

Washington, D.C. (September 27, 2000) - The Federal Retirement Thrift Investment Board announced today that Thrift Savings Plan (TSP) participants will be able to begin investing in the Small Capitalization Stock Index Investment (S) Fund and the International Stock Index Investment (I) Fund in May 2001. The new S and I Funds will be in addition to the Common Stock Index Investment (C) Fund, Fixed Income Index Investment (F) Fund, and Government Securities Investment (G) Fund, which are the current investment choices available to participants.

The TSP is a retirement savings plan for Federal employees that is similar to the 401(k) plans offered by many private employers. It was created by the Federal Employees' Retirement System Act of 1986. As of August 31, 2000, TSP assets totaled approximately \$102 billion, and retirement savings accounts have been established for nearly 2.5 million TSP participants.

The new TSP investment funds had been delayed pending the delivery of a new record keeping system being developed for the Board by American Management Systems, Inc., of Fairfax, Virginia, and initially scheduled for implementation this year. Although a firm date still has not been established for the new system's availability, the two new funds, originally planned to be introduced in connection with the new system, will be made available in May 2001 under the current record keeping system. The new system will be implemented as soon as possible thereafter, and current activities will be converted into the new system at that time. (Monthly updates on the status of the new system are published on the TSP Web site at www.tsp.gov.)

[MORE]

In announcing the May 2001 schedule, Executive Director Roger W. Mehle said that offering the new funds in the current system would "provide the most anticipated feature of the pending enhancements to the Thrift Savings Plan without any risk to the Plan's longstanding financial and functional integrity. The current system, operated and maintained by the U.S. Department of Agriculture's National Finance Center, has proven its processing accuracy over 13 years of operation, and it can be modified to provide these additional investment opportunities next May."

Mehle also took note of the pending House/Senate conference on the National Defense Authorization Act for fiscal year 2001, which provides for uniformed services participation in the TSP. "Although the Congress has not yet adopted a conference report and the President would, of course, have to sign the resulting legislation, we expect these actions to take place. We are therefore planning to offer our 2.3 million men and women in uniform the opportunity to participate in the TSP in October of next year by modifying our well-tested current system." Mehle said that uniformed services accounts would be converted into the new system as soon as feasible thereafter.

[END]



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

Questions and Answers Regarding the Implementation of the
S and I Funds in the
Current TSP Record Keeping System

Why are you implementing the new Small Capitalization Stock Index Investment (S) Fund and the International Stock Index Investment (I) Fund in the current system?

In June 2000, after we announced the extension of the deferral of the new record keeping system which is being developed by American Management Systems, Inc., we conferred with our record keeper, the National Finance Center, to determine if the current record keeping system could be modified to include the S and I Funds, the most anticipated of the pending TSP enhancements. We have now determined that such a modification can be made. Accordingly, we plan to make the S and I Funds available within the framework of the current system on May 1, 2001. (More information about the S and I Funds is available in the May 2000 *TSP Highlights* available from the TSP Web site, www.tsp.gov, in Forms & Publications.)

Will other features (such as daily valuation, daily interfund transfers, and partial and mixed withdrawals) be available on May 1, 2001?

Once the S and I Funds are incorporated into the current system, you will be able to change the way your payroll contributions are being invested in the five funds at any time, instead of only during a TSP open season. (You will also continue to be able to make an interfund transfer to change the way the balance in your account is invested. However, interfund transfers will remain on the current monthly processing cycle because accounts will still occur only once a month.) You will be able to accomplish either of these transactions by using the TSP Web site or the ThriftLine, or by mailing a TSP Investment Allocation form to the TSP at the address on the form.

As of September 29, 2000

Like daily valuation and daily processing of interfund transfer requests, the other enhancements to the TSP (e.g., daily disbursements, and partial and mixed withdrawals) cannot be included in the current system. Consequently, they will not be available until the new system is implemented, which will be as soon as possible after May 1. (Monthly reports on progress toward implementation of the new system will continue to be posted on the TSP Web site, www.tsp.gov. The leaflet *How the TSP is Changing* explains the enhancements and the changes to the TSP that will occur when the new record keeping system is implemented. The leaflet is available from the TSP Web site in Forms & Publications.

Why did you decide to modify the current system instead of waiting for the new record keeping system?

When it was awarded in May 1997, the contract with American Management Systems, Inc. (AMS) anticipated a three-year project schedule for design, development, testing, and implementation of the new record keeping system; this would have resulted in a May 2000 project completion date. At a meeting in early January 2000 with senior officials of the Federal Retirement Thrift Investment Board, AMS recommended an implementation deferral to accommodate the extensive system testing program, which had experienced delays. Based on assurances from AMS that October 1 could be achieved with relative certainty, and in light of pending legislation which would affect the TSP, the Board established the October 2000 date for implementation.

In a meeting on June 8, AMS officials advised the Board that an October 1 implementation date would involve significant risks for the successful operation of the new system. This assessment was based on the status of the testing program and the time needed to fix the numerous software defects (bugs) disclosed to date and those anticipated to be found as testing progressed. (Based on an analysis using industry standards as well as contractor experience, AMS predicted that between 8,000 and 10,000 bugs could be expected.) Because of the additional time needed for the testing and correction processes, those tasks that depend upon the validation of the software would also be delayed. As a result, the October 1 date was no longer feasible.

Although AMS suggested a spring 2001 implementation, the Board will not adopt that date (or any other date) until it sees actual and substantial progress by AMS in reaching its scheduled milestones to complete the testing of the new system, the correction of significant software defects, and the accomplishment of the numerous other tasks associated with the implementation of the new system. At that time, the Board will announce the implementation date.

Because of the continued uncertainty about an implementation date and because we can make the S and I Funds available in our current stable record keeping system without risk to the TSP's longstanding financial and functional integrity, the Board decided to do so. This decision provides participants with the most anticipated feature of the pending enhancements to the TSP while the contractor completes the work needed to deliver the new TSP record keeping system.

How are you making sure that the new record keeping system will be implemented as soon as feasible?

A number of steps have been taken to ensure that the implementation proceeds. The Board has been unstinting in applying its own resources to completion of the new record keeping system. Additionally, the Board has received assurances from AMS top management that all resources necessary to complete the project will be made available. However, the Board will not accept (and will not pay for) a substandard contractor product. If AMS is unable to make acceptable progress in completing the contract in the months to come, the Board will replace it with another contractor. As noted above, monthly updates on the progress toward system completion are available on the TSP Web site.

How much will the deferral cost?

In itself, the deferral of the new system implementation will not increase contractor costs. The Board will pay only those legitimate costs associated with the development, testing, and implementation of the new system, regardless of the time period over which the project is completed. Overall, we anticipate that the effect of the new system costs

on the administrative expense ratio (which reflects allocation of expenses to TSP participant accounts) will be minimal. For 1999, the TSP's administrative expense ratio was .05% for the G Fund, .06% for the C Fund, and .07% for the F Fund (or 50¢, 60¢, or 70¢ per \$1,000 of account balance, respectively). We do not anticipate a change in these costs as a result of the new system's delay.

What is the status of H.R. 208?

H.R. 208 is pending legislation that would permit the TSP to accept transfers from certain other retirement savings plans (see below). H.R. 208 would also allow new Federal employees to contribute their own money (through payroll contributions) to the TSP without the current six- to twelve-month wait. Versions of H.R. 208 with slight differences between them have now been passed by the House of Representatives and the Senate. We are waiting to see if final legislative action to resolve the differences will occur before the congressional adjournment scheduled for October. An implementation date will be decided if and when the legislation is enacted.

Does H.R. 208 mean that I can roll over my regular IRA into the TSP? How about money from my mutual fund or savings account?

No. H.R. 208 would allow direct rollovers from certain retirement plans established by your previous employer. These plans are limited to pension, profit-sharing, and stock bonus plans, and include 401(k) plans. Although a modified version of H.R. 208 would allow rollovers from conduit IRAs, rollovers from regular IRAs would not be allowed. If H.R. 208 is enacted, the TSP will provide information describing which funds will be accepted by the TSP and the process for rolling them over.

What waiting period is affected by H.R. 208?

Currently, newly hired employees must wait until the second open season after they are hired (a six- to twelve- month period) before they can contribute to the TSP. H.R. 208 would permit employees to begin contributing their own money (through payroll contributions) to the TSP as soon as they are hired if they are otherwise eligible to contribute to

the Plan (i.e., they are covered by the Federal Employees' Retirement System, the Civil Service Retirement System, or another equivalent retirement system). However, unless the current provisions of H.R. 208 are modified (which is possible), the existing waiting periods would still apply to agency contributions (both the Agency Automatic (1%) and the Agency Matching Contributions).

What is the schedule for participant statement mailings?

The next participant statement mailing will be in November 2000, as usual. There will be no change in our semiannual participant statement mailing schedule until new system implementation.

When will the next TSP open season be held?

The next open season will be held from November 15, 2000 to January 31, 2001.

Will the deferral of the new system implementation mean that loans and withdrawals will continue to be disbursed once a month?

Yes. Until the new system is implemented, loans and withdrawals, as well as all other transactions, will be processed using the existing record keeping system and under current rules.

Will the deferral of the new system implementation apply to the new withdrawal options?

Yes. The new withdrawal options and the other changes to the TSP withdrawal program, which were described in the leaflet *How the TSP is Changing*, cannot be implemented until the new record keeping system is implemented.

When will I be able to receive any loan or withdrawal payment by EFT/Direct Deposit?

Additional EFT/Direct Deposit options will become available when the new system is implemented. EFT/Direct Deposit is currently available for monthly payments only.

When will I be able to request a loan or withdrawal from the Web site or ThriftLine?

Because this is a new record keeping system feature, you will not be able to use the Web site or the ThriftLine to apply for a loan or withdrawal until the new system is implemented.

When will I be able to make direct payments on my loan by submitting guaranteed funds to the TSP?

Because this is a feature of the new record keeping system, you will have to wait until the new system is implemented before making loan payments by guaranteed funds directly to the TSP (as opposed to payroll deductions). Currently, you may only make prepayments in full.